

State Corporation Commission 2009 Fiscal Impact Statement

1. Bill Number: HB2315

House of Origin X Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Carrico

3. Committee: Commerce and Labor

4. Title: Electric utility rates; deferral of increases.

5. Summary: Electric utility rates; deferral of increases. Requires the State Corporation Commission (SCC) to defer a portion of an investor-owned electric utility's increase in residential electric rates or charges if, as a result of the increase, the new residential rates are more than 15 percent higher than its residential rates in the year preceding the rate increase. The deferred amount is the revenue that would be collected by the utility over the 36 months following the SCC's order, based on the difference between the new rate and 115 percent of its residential rate in the preceding year. The deferred amount, with interest at a rate set by the SCC, will be recovered from residential retail customers over a three-year period as follows: year one – zero; year two – one-third; and year three – two-thirds.

6. Fiscal Impact Estimates: Not available; see Item # 8.

7. Budget Amendment Necessary: No.

8. Fiscal Implications: It seems the intent of this bill may be to smooth out large rate increases by deferring amounts over 115% of historical rate levels for three years. However, the recovery of the deferral causes rates in months 13 through 36 to be even higher than if the full rate increase had been put in place. Further, because recovery of the deferral seems to be independent of the annual limit of a 15% increase, customers may see an increase of up to 15% each year in addition to the increase for recovery of the deferral, and if those actual increases are greater than 15% a further deferral would result, creating the potential of two deferrals being recovered at the same time.

9. Specific Agency or Political Subdivisions Affected: State Corporation Commission

10. Technical Amendment Necessary: No.

11. Other Comments: Fuel rates (§ 56-249.6 of the Code) and certain factors provided for under § 56-585.1 of the Code of Virginia include a deferral mechanism that provides for dollar for dollar recovery and may be set for only a 12-month period. Including these factors in the definition of “base rate burden” and providing for deferral in certain circumstances could be problematic.

Date: 1/21/2009 T. Faherty
cc: Secretary of Commerce and Trade